

LABOR AND WORKFORCE DEVELOPMENT

The Labor and Workforce Development Agency addresses issues relating to California workers and their employers. The Agency is responsible for: labor law enforcement, workforce development, and benefit payment and adjudication. The Agency works to combat the underground economy and to help legitimate businesses and workers in California.

The Budget includes total funding of \$14.8 billion (\$448 million General Fund, \$14.3 billion various other funds) for the Agency.

EMPLOYMENT DEVELOPMENT DEPARTMENT

The Employment Development Department (EDD) administers the Unemployment Insurance (UI), Disability Insurance (DI), and Paid Family Leave programs and collects payroll taxes from employers, including the Personal Income Tax. The EDD connects job seekers with employers through job services programs and one-stop service centers and provides employment training programs through the Employment Training Panel and the Workforce Investment Act of 1998. To support the Department, the Budget includes \$14.3 billion (\$438.8 million General Fund), which reflects a decrease of \$6.1 billion as compared to the revised 2011 Budget and is \$11.6 billion less than the 2011 Budget Act. This decrease is primarily due to the end of the federal UI extensions.

UNEMPLOYMENT INSURANCE PROGRAM

The UI program is a federal-state program that provides weekly payments to eligible workers who lose their jobs through no fault of their own. Benefits range from \$40 to \$450 per week depending on the earnings during a 12-month base period. To be eligible, an applicant must have received enough wages during the base period to establish a claim, be totally or partially unemployed, be unemployed through no fault of his or her own, be physically able to work, be seeking work, be immediately available to accept work, and meet eligibility requirements for each week of benefits claimed.

Beginning in January 2009, the state's UI Fund was exhausted due to an imbalance between benefit payments and annual employer contributions. To continue to make UI benefit payments without interruption, the EDD began borrowing funds from the Federal Unemployment Account. The UI Fund deficit was \$9.8 billion at the end of 2011 and is projected to be \$11.7 billion at the end of 2012.

While annual interest payments were waived under the American Recovery and Reinvestment Act for 2010, interest of \$303.5 million was paid in September 2011 and the interest payment for September 2012 is estimated to be \$417 million. Interest will continue to accrue and be payable annually until the principal on the UI loan is repaid. The interest payment must come from state funds.

Proposals to Balance the Budget:

- **Offset UI Interest Payment**—A loan from the Unemployment Compensation Disability Fund to the General Fund to pay for the UI interest expense. This achieves a General Fund savings of \$417 million in 2012-13. This is a continuation of the 2011-12 budget approach.
- **Employer Surcharge to Fund UI Interest Payments**—An increase in revenue of \$472.6 million, Employment Training Fund, as a result of implementing a surcharge on employers effective January 1, 2013. The surcharge revenue will fund future interest payments for funds borrowed from the federal government to pay California's unemployment insurance benefits and repay the funds borrowed from the Unemployment Compensation Disability Fund.
- **Eligibility Change**—In conjunction with the employer surcharge, increase the minimum monetary eligibility requirements to qualify for UI benefits to account for increases in employee wages that have occurred since the requirements were last adjusted in 1992.

Other Significant Adjustments:

- **October Revise**—A decrease of \$5.4 billion in 2011-12 and \$11.7 billion in 2012-13, Unemployment Fund, as a result of the end of the federal UI extensions. With this adjustment, total benefit payments will be \$13.2 billion in 2011-12 and \$6.9 billion in 2012-13. The October Revise also includes an increase of \$11.5 million in Disability Insurance benefit payments and a state operations increase of \$11.6 million and 142.5 positions for administrative support for the Disability Insurance program.
- **Workforce Investment Act (WIA) Funding**—A decrease of \$39.5 million federal funds for the Governor's discretionary WIA funding. This decrease reflects a reduction in the discretionary funds, from 15 percent to 5 percent, provided by the federal government.

AGRICULTURAL LABOR RELATIONS BOARD

The Agricultural Labor Relations Board investigates, prosecutes, and adjudicates unfair labor practice disputes and is responsible for conducting secret ballot elections so that farm workers in California may decide whether to have a union represent them in collective bargaining with their employer.

Significant Adjustment:

- **Unfair Labor Practice Case Backlog**—An increase of \$500,000 Labor and Workforce Development Fund and 3.8 positions to reduce a backlog of unfair labor practice cases. The Agricultural Labor Relations Board will implement permanent process changes and efficiencies that will enable unfair labor practice cases to be processed more quickly.

DEPARTMENT OF INDUSTRIAL RELATIONS

The Department works to improve working conditions, enforces laws relating to wages, hours, conditions of employment, and workers' compensation, and adjudicates workers' compensation claims. The Budget includes \$425.1 million (\$4.4 million General Fund) to support the Department.

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Significant Adjustment:

- Expand Education and Outreach to Employees and Employers—An increase of \$2.3 million Labor and Workforce Development Fund to expand education and outreach efforts to increase the effectiveness of labor compliance field staff.